

a binding contract in effect before June 10, 1996, and at all times thereafter before the property is placed in service.

SEC. 1614. ELECTION TO CEASE STATUS AS QUALIFIED SCHOLARSHIP
FUNDING CORPORATION.

(a) IN GENERAL.—Subsection (d) of section 150 (relating to definitions and special rules) is amended by adding at the end the following new paragraph:

"(3) ELECTION TO CEASE STATUS AS QUALIFIED SCHOLARSHIP
FUNDING CORPORATION.—

"(A) IN GENERAL.—Any qualified scholarship funding bond, and qualified student loan bond outstanding on the date of the issuer's election under this paragraph (and any bond (or series of bonds) issued to refund such a bond) shall not fail to be a tax-exempt bond solely because the issuer ceases to be described in subparagraphs (A) and (B) of paragraph (2) if the issuer meets the requirements of subparagraphs (B) and (C) of this paragraph.

"(B) ASSETS AND LIABILITIES OF ISSUER
TRANSFERRED
TO TAXABLE SUBSIDIARY.—The requirements of this

subparagraph are met by an issuer if—

"(i) all of the student loan notes of the issuer and other assets pledged to secure the repayment of qualified scholarship funding bond indebtedness of the issuer are transferred to another corporation within a reasonable period after the election is made under this paragraph:

"(ii) such transferee corporation assumes or otherwise provides for the payment of all of the qualified scholarship funding bond indebtedness of the issuer within a reasonable period after the election is made under this paragraph:

"(iii) to the extent permitted by law such transferee corporation assumes all of the responsibilities and succeeds to all of the rights of the issuer under the issuer's agreements with the Secretary of Education in respect of student loans:

"(iv) immediately after such transfer the issuer, together with any other issuer which has made an election under this paragraph in respect of

such transferee. hold all of the senior stock in such transferee corporation: and

(v) such transferee corporation is not exempt from tax under this chapter.

"(C) ISSUER TO OPERATE AS INDEPENDENT ORGANIZATION DESCRIBED IN SECTION 501(C)(3).—The requirements

of this subparagraph are met by an issuer if, within a reasonable period after the transfer referred to in subparagraph (B),

(i) the issuer is described in section 501(c)(3) and exempt from tax under section 501(a):

(ii) the issuer no longer is described in subparagraphs (A) and (B) of paragraph (2): and

(iii) at least 80 percent of the members of the board of directors of the issuer are independent members.